

# Chapter 2

## Finances/Recordkeeping

### Financial Accounts

#### Campaign Bank Account

Primarily formed ballot measure committees are not required to maintain a separate bank account, but doing so is a good idea. Pre-numbered and pre-printed checks with the committee's name are useful in complying with the recordkeeping requirements discussed in the next section. Even though a separate bank account is not required, ballot measure committees may not commingle campaign funds with any individual's personal funds. The committee may not accept contributions or make expenditures in cash of \$100 or more.

#### Recordkeeping

In any campaign, an accurate and organized record must be kept of all campaign receipts and expenditures. All individuals who handle receipts and make expenditures must be aware of and practice the recordkeeping procedures required by the Political Reform Act and FPPC regulations that are outlined in this manual. While others may be involved, the treasurer, as listed on the committee's Statement of Organization (Form 410), remains legally responsible for the accuracy of the records.

#### Record Retention

Committees must keep all records, including original source documentation, for a period of four years from the date the campaign statement relating to the records was filed.

**(Example)** *San Franciscans for Parks, a Committee for Measure F, a city ballot measure committee, filed its first campaign statement on January 31, 2006. The records associated with completing that statement, such as receipts and information*

*on contributors, must be retained until January 31, 2010.*

#### Exception:

The electronic filing declaration required to be filed with Form E-530 must be kept for five years following the date the report is filed. (See Chapter 8.)

#### Records of Receipts

Two types of records are required for receipts: a **daily record**, showing how much money was received on any given day; and a **contributor record**, with detailed information on each contributor of \$25 or more. The daily record requirement may be met simply with bank statements, copies of checks received, or other documentation that provides the required information listed below.

#### Receipts Under \$25

A daily lump sum total must be kept for contributions received under \$25 and miscellaneous receipts under \$25.

#### Contributor Record

##### Contributions: \$25 to \$99.99

For each monetary or nonmonetary contribution, loan or receipt of \$25 or more, the date received, amount of the contribution, and full name and address, including zip code, of the contributor must be documented. In addition, the total amount received from the contributor over the course of the current calendar year (the "cumulative amount") must be recorded.

#### Date Received

A monetary contribution is received on the date that the committee, or an agent of the committee, obtains possession or control of the cash, check, or other form of contribution,

not the date it is deposited in the bank account. Contributions received by electronic methods such as wire transfer, credit card or debit account transactions are also received on the date the committee obtains possession or control of the funds. The following list provides examples:

- A contributor makes a contribution over the telephone. The contribution is “received” by the committee on the date the contributor gives his or her debit/credit account information to the committee.
- A contributor makes a contribution via the Internet and the committee reviews the on-line transaction before the contribution is processed. The contribution is “received” by the committee on the date the committee receives the payment information.
- A contributor makes a contribution via the Internet and the contribution is made by direct deposit without review and before transaction reports are produced. The contribution is “received” when the committee has possession of the funds.
- A contributor agrees to make contributions via “installment” payments by authorizing the committee to periodically charge his or her credit card or withdraw funds from his or her account. The contribution is “received” when the committee, or an agent of the committee, obtains possession or control of the funds for each installment payment. The contribution reported is only the amount of each installment payment when received. Installment payments scheduled to take place in the future, but not yet received, are not reportable.

### **Contributions: \$100 or More (Occupation and Employer Information)**

If contributions totaling \$100 or more are received from an individual, in addition to the above information, the contributor’s occupation and employer are recorded.

If the contributor is self-employed, that fact also must be noted along with the name of his or her business. If a check is received from a business entity, the contributor is the business entity, not the person who signs the check.

**A contribution of \$100 or more must be returned if the contributor’s name, address, and, if the contributor is an individual, his or her occupation, and employer are not in the committee’s records within 60 days from receipt of the contribution.** If the contribution cannot be returned to the contributor, it must be paid to the Secretary of State for deposit in the state’s general fund, or, if the committee is a local ballot measure committee, it must be paid into the corresponding local jurisdiction’s general fund, e.g., a city’s general fund. Contributions that are returned by check, which are not cashed by the original contributor within 90 calendar days of being returned, shall be paid within an additional 30 calendar days to the Secretary of State or if the committee is a local committee, the general fund of the local jurisdiction.

The committee also must record the date the contributor information is received, if that date is different than the date the contribution is received. Contributions may be deposited in the committee’s bank account pending receipt of the information, in which case they must be reported on the next campaign statement required to be filed (including late contribution and the \$5,000 and \$1,000 Election Cycle reports). The Form 460 must be amended within 70 days from its closing date to disclose the missing contributor information unless the contribution is returned to the donor. Late contribution and \$5,000 and \$1,000 Election Cycle reports need not be amended.

**(Example)** *The Streets are for Bikes, Yes on Measure A, a city ballot measure committee, received a contribution of \$100*

*from Martha Andersen on June 1. The only information the committee's treasurer had was her name and address as listed on her check. On the committee's semi-annual statement, covering the reporting period through June 30, the treasurer reported receiving \$100 from Martha, listed her name and address, and indicated that the committee would amend its statement when it received her occupation and employer information. By July 31 of that same year, even after writing to Martha, the treasurer still did not have Martha's occupation and employer. The committee must return \$100 to Martha.*

### Intermediaries

For contributions of \$25 or more made through an intermediary (see Chapter 3), records for the above information for **both** the intermediary and the contributor are required.

### Nonmonetary Contributions

If the contribution is nonmonetary and worth \$25 or more, a description and the fair market value of the contribution must be recorded. (See "Valuing" in Chapter 3.)

### Loans

If the contribution is a loan of \$25 or more, in addition to the above information for monetary contributions, the following information must be recorded:

- Interest rate of the loan, if any;
- Due date of the loan; and
- Name and address of any guarantor and the amount guaranteed. The occupation and employer of any individual who guarantees a loan of \$100 or more must also be recorded.

### Documentation

The committee must keep copies of all documents reflecting deposits made and all

records reflecting campaign bank account balances such as bank statements, check registers and passbooks.

The following documents produced or received by the committee also must be kept for receipts of \$25 or more: copies of contributor checks; contributor cards; letters of transmittals; notices or writings received from contributors; memoranda or other records that describe the method used to determine the fair market value of donated goods or services (nonmonetary contributions); and loan agreements or other documents that reflect indebtedness. In addition, documentation for electronic transactions must include information collected when debiting the contributor's account such as itemized transaction reports (including the credit card confirmation number), debit/credit account transaction records, credit card receipts or vouchers. Documentation of contributions received over the Internet must include a record of the transaction created and transmitted by the cardholder including the cardholder's name and address and card number.

For contributions or other receipts of \$100 or more, copies of any letters or other communications sent by the committee to obtain the documents listed above must be kept.

### Expenditures

#### Daily Record

#### Expenditures Under \$25

A daily lump sum total of all expenditures of less than \$25 must be kept.

#### Expenditures: \$25 or More

For expenditures of \$25 or more to a single payee, or a series of payments for a single product or service that total \$25 or more, the following must be recorded:

- Full name and street address, including zip code, of payee;


- Expenditure amount;
- Date each expenditure was made or, in the case of accrued expenses, the date the goods or services were received; and
- Description of the goods or services received.

### **Contributions to Candidates or Other Committees and Independent Expenditures**

For expenditures that are contributions to an officeholder, candidate, or committee, or independent expenditures (see Chapter 4) to support or oppose a candidate or other ballot measure, the amount of the expenditure and also the cumulative amount paid in that calendar year in connection with the officeholder, candidate, committee, or ballot measure must be recorded.

For all such expenditures of \$25 or more, the following information is required:

- Date the contribution or independent expenditure was made;
- Whether the expenditure is an independent expenditure;
- Name of the officeholder or candidate and the office and district he or she holds or for which he or she seeks nomination or election, or number or letter of the measure and the jurisdiction in which the measure is to be voted on; and
- Cumulative amount spent on behalf of the candidate, measure, or committee.

 **Quick TIP** If a primarily formed ballot measure committee makes contributions to other committees or independent expenditures to support or oppose candidates or other ballot measures, it may change the nature of the committee; the committee may have different reporting obligations or restrictions. Contact the FPFC for assistance.

### **Loans Made to Others**

The following additional information must be kept for loans made by the committee: interest rate, if any; due date, if any; and full name and street address of anyone guaranteeing the loan or who is liable directly, indirectly, or contingently for the loan. (For restrictions on loans to others, see Chapter 10.)

### **Documentation**

All bank and credit card records for expenditures must be kept.

For expenditures of \$25 or more: bills, invoices or statements, receipts, credit card slips, vouchers, contracts, loan agreements, and other documents produced or received by the committee reflecting additional obligations also must be kept. Copies of canceled checks can be retained if the copies contain a legible image of the front and back of the canceled check and the copies are obtained from the financial institution.

If no receipt, voucher, or invoice is available, a voucher should be written as soon as possible with the date and amount of the payment, the name of the payee, and a description of the goods or services received. A voucher is not required for payments under \$25.

### **Notices to Major Donors, Mass Mailings, and Telephone Calls**

A copy or a record of all \$5,000 “major donor” notices (see Chapter 3) and a copy of any mass mailings (see Chapter 4) sent by the committee must be kept. For certain telephone calls made to 500 or more voters and paid for by the committee (see Chapter 4), a script of the call or a copy of the recorded telephone message also must be kept.

### Audits

The Act authorizes audits of committees. State primarily formed ballot measure committees will be audited if they raise or spend \$10,000 or more in a calendar year. However, future filings may be subject to random audits. Audits are conducted by the State Franchise Tax Board.

### Treasurer Duties

Every committee must have a treasurer. There are no restrictions on who may be treasurer. **The committee may not accept contributions or make expenditures before a treasurer is appointed or while the treasurer's post is vacant, even if there is an assistant treasurer (see below).** If the committee treasurer is unavailable to carry out his or her duties for an extended time, a new treasurer should be designated and the committee's Statement of Organization (Form 410) amended.

Treasurers or assistant treasurers must sign and verify all reports and statements filed. The verification indicates under penalty of perjury that:

- The signer has used all reasonable diligence in preparing the statement; and
- To the best of his or her knowledge, the statement is both true and complete.

The signer is legally responsible for the accuracy and completeness of the document even if it is prepared by a third party, including a professional accountant. An unsigned statement is considered "not filed" and subject to late fines.

### Treasurer

A treasurer is required to:

Establish a system of recordkeeping sufficient to ensure that receipts and expenditures are recorded promptly and accurately in compliance with the Act's

recordkeeping and disclosure requirements. Following the recordkeeping guidelines in this manual ordinarily constitutes compliance with this requirement. In addition, the treasurer is required to:

- Maintain campaign records personally or monitor records kept by others.
- Take steps to ensure all of the Act's requirements are met regarding receipt, expenditure, and reporting of campaign funds.
- Prepare campaign statements personally or carefully review campaign and underlying records prepared by others.
- Correct any inaccuracies or omissions, and inquire about any information that would cause a reasonable person to question the accuracy of the campaign statements.
- Sign campaign statements under penalty of perjury. The treasurer is legally responsible for the accuracy and completeness of campaign statements even if they are prepared by a third party, such as a professional accountant. The treasurer must establish that campaign statements are properly filed. No person should assume the position of treasurer as a figurehead.
- Check and, if necessary, correct any information contained on a campaign statement that a reasonable, prudent person would question. Among the circumstances that might give rise to an inquiry regarding a contribution are: the size of the contribution; the reported source; the likelihood of that source making a contribution of that size; the circumstances surrounding receipt; and the manner in which the contribution is recorded in campaign records.

### Assistant Treasurer

An assistant treasurer may be designated on the Statement of Organization (Form 410) in



the event that the treasurer is unavailable to sign a report when it is due. The assistant treasurer is required, like the treasurer, to use reasonable diligence in preparing and reviewing any campaign statements that he or she signs, and must certify to that effect under penalty of perjury. For statements signed by the assistant treasurer, both the treasurer and the assistant treasurer are liable for any violations pertaining to that report.

There are no restrictions on who may be an assistant treasurer, although he or she should know the reporting obligations, restrictions, and prohibitions provided under the law.

### Candidate Duties for Controlled Committees

#### A candidate is required to:

- Make sure that the treasurer is exercising all reasonable diligence in the performance of his or her duties. The candidate must establish that campaign statements are properly filed.
- Take whatever steps are necessary to replace the treasurer or raise the treasurer's performance to required standards if the candidate knows or has reason to know that the treasurer is not exercising all reasonable diligence in the performance of his or her duties.
- Review with care the campaign statements prepared for filing by the committee.
- Correct any inaccuracies and omissions in campaign statements of which the candidate is aware and check and correct any information on campaign statements which a person of reasonable prudence would question based on all of the surrounding circumstances.
- Perform with due care any other tasks assumed in connection with the raising,

spending, or recording of campaign funds insofar as such tasks relate to the accuracy of information entered on campaign statements.

### Answering Your Questions

- Q. *Are there any specific accounting qualifications for someone to be able to serve as treasurer, or any conditions which would disqualify someone from being permitted to serve as treasurer?*
- A. No.
- Q. *Are committee records and source documentation required to be kept on paper, or may the committee use an electronic recordkeeping system?*
- A. Electronic records are permitted, provided that all of the required information is collected and recorded in a timely and uniform manner that ensures the accuracy and reliability of the information. Committees are responsible for ensuring that electronic records can be read and/or printed for auditing purposes during the applicable retention period.
- Q. *Are form letters thanking contributors required to be retained for recordkeeping purposes?*
- A. Form letters containing no information necessary to complete or verify the committee's campaign statements are not required to be retained.

### Authority

The following Government Code sections and Title 2 regulations provide authority for the preceding information in this chapter.

#### Government Code Sections

- 84100    *Treasurer.*  
84104    *Recordkeeping.*  
84105    *Notification of Contributors.*

- 84300 *Cash and In-Kind Contributions;  
Cash Expenditures.*
- 84302 *Contributions by Intermediary or  
Agent.*
- 84307 *Commingling with Personal Funds.*
- 84310 *Identification Requirements for  
Telephone Calls.*
- 85700 *Donor Information Requirements;  
Return of Contributions.*
- 90000 *Responsibility.*
- 90001 *Mandatory Audits and  
Investigations.*
- 90002 *Audits and Investigations; Time.*
- 90003 *Discretionary Audits.*
- 90006 *Audit and Investigation by  
Commission.*
- 90007 *Auditing Guidelines and Standards.*

## **Title 2 Regulations**

- 18401 *Required Recordkeeping for  
Chapter 4.*
- 18421.1 *Disclosure of the Making and  
Receipt of Contributions.*
- 18421.2 *Street Address.*
- 18421.3 *Reporting of Contributions and  
Expenditures Collected by Contract  
Vendors or Collecting Agents.*
- 18426.1 *Assistant Treasurer.*
- 18427 *Duties of Treasurers and  
Candidates with Respect to  
Campaign Statements.*
- 18427.1 *Notification to Contributors of  
\$5,000 or More.*
- 18432.5 *Intermediary.*
- 18570 *Return of Contributions with  
Insufficient Donor Information.*
- 18994 *Auditing and Investigations.*
- 18995 *Standards and Guidelines for  
Auditing Statements and Reports.*